

# BACKGROUND

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## A Roadmap for Strengthened Transatlantic Pathways in the Western Balkans

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### Abstract

*Challenges posed by the destabilizing influence of Russia, rising Chinese interest and investment, pockets of Islamist extremism, high unemployment, and lack of economic opportunity threaten to ensnare the Balkans in a permanent geopolitical quicksand. Allowing this to happen would be a mistake. Now is the time for the U.S. to reinvest in the Western Balkans. Renewed U.S. attention and engagement will help capitalize on the significant opportunities of the region while minimizing the risk that any nefarious outside influences can derail the region's future in the transatlantic community.*

Since the tumult of the 1990s, the Western Balkans have receded from the minds of many American policymakers. While no longer front-page news, the region remains home to unfinished business. Ethnic, religious, and cultural differences, along with historical grievances retain the potential to set off renewed hostilities and violence. Furthermore, the challenges posed by the destabilizing influence of Russia, rising Chinese interest and investment in the region, pockets of Islamist extremism, high unemployment, and lack of economic opportunity threaten to ensnare the Balkans in a permanent purgatorial geopolitical quicksand.

Allowing this to happen would be a mistake for the U.S. Since the end of the Cold War, the U.S. has invested heavily in the region. Tens of thousands of U.S. military members served there. The U.S. remains the single largest contributing nation to NATO's Kosovo Force (KFOR),<sup>1</sup> and billions of dollars in American aid have been spent to guide the nations of the Balkans toward democracy, free-market economies, and integration into the transatlantic community. Rather than downgrade

### KEY POINTS

- The Western Balkans remain Europe's tinderbox, and U.S. engagement and leadership will prove critical in ensuring the box does not ignite.
- In recent years the Western Balkans have been seen as a challenge to be outsourced to Europe. Token attention from the U.S.—and oftentimes from our European allies—has allowed problems to fester and has provided openings for nefarious actors to exploit.
- The Western Balkans are squeezed between the threats from Russian destabilization, growing attempts by China to gain an economic and political foothold in the region, and risks from radical Islamist terrorism, exacerbated by the migrant crisis.
- The Trump Administration should put an end to the U.S. policy of imposing “progressive” social policies on the Western Balkans that are contrary to the cultural and religious norms of these nations.

This paper, in its entirety, can be found at <http://report.heritage.org/bg3286>

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this investment, now is the time for the U.S. to reinvest in the Western Balkans. Renewed U.S. attention and engagement will help capitalize on the significant opportunities of the region while minimizing the risk that any nefarious outside influences can derail the region's future in the transatlantic community.

Moving forward, the Trump Administration and Congress should seek to satisfy “five Ps” in the Western Balkans:

- 1. Peace.** U.S. policy should help maintain a secure and stable region.
- 2. Progress.** U.S. policy should seek to keep the Western Balkans progressing toward the West. This progress includes implementing economic reforms, tackling corruption, and contributing to regional security and stability through cooperation with the U.S. and NATO.
- 3. Potential.** U.S. policy should focus on unlocking the vast potential of the region by tapping into its advantages, including a strategic location and young population.
- 4. Pragmatism.** U.S. policy should encourage the region's leaders to be pragmatic in their relations with neighbors and encourage mutual beneficial cooperation. Likewise, the U.S. should be pragmatic in its relations with Serbia.
- 5. Prosperity.** U.S. policy should emphasize enshrining economic freedom in the Western Balkans that will help build prosperity. Such successes will have positive follow-on effects for security and the well-being of the people of the region.

Concrete steps embedded within the five Ps include support for pipelines that lessen the region's reliance on Russian energy; extension of the Visa Waiver Program (VWP) to Croatia; continued robust contributions to KFOR; and support for Macedonia's accession to NATO. This paper provides a roadmap that offers the U.S. an opportunity to reengage with the vital Western Balkans to ensure continued security and stability.

## The U.S. Cannot Afford to Ignore the Western Balkans

This paper focuses on the Western Balkans, the nations of Albania, Bosnia and Herzegovina, Croa-

tia, Kosovo, Macedonia, Montenegro, and Serbia. Historically, the region has been a contested battleground and the gateway to Europe. Over the centuries, Romans, Byzantines, Bulgarians, Venetians, Austro-Hungarians, Ottomans, and the Socialist Federal Republic of Yugoslavia have controlled parts of the Western Balkans. It is home to large numbers of Orthodox Christians, Roman Catholics, and Muslims, along with smaller numbers of Jews and Protestants. It is likewise home to a multitude of ethnic groups. The economies of the region range from Croatia's \$50 billion economy to Montenegro's \$4.3 billion economy—about the same size as the island nation of Barbados.<sup>2</sup> Despite size differences, the economies of the region face many of the same hurdles for sustained growth.

Often called Europe's tinderbox, twice in the 20th century has conflict in the Western Balkans eventually resulted in American troops fighting on European soil. The assassination of Archduke Franz Ferdinand in Sarajevo in June 1914 lit the spark that ignited World War I. In that conflict, 116,516 Americans died while in service and 204,002 were wounded.<sup>3</sup> More recently, the wars that broke out following the dissolution of Yugoslavia led to shocking atrocities, the deaths of hundreds of thousands of people, and the displacement of millions more. The U.S. and our NATO allies began to engage diplomatically and politically in these conflicts in 1992,<sup>4</sup> eventually intervening militarily. In 1994, while enforcing a United Nations (U.N.) Resolution,<sup>5</sup> which established a no-fly zone over Bosnia and Herzegovina, NATO aircraft engaged in offensive military action for the first time in the alliance's then-44 years of existence.<sup>6</sup>

The security situation in the Western Balkans has improved dramatically over the past two decades. However, the future remains undefined, and instability in the region could conceivably ensnare the United States in conflict once again. To avoid this outcome, the U.S. must establish a healthy re-engagement with the Western Balkans, recognizing their importance for European security, and, by extension, American security.

Unfortunately, in recent years, American engagement in the Balkans has been neither as robust nor as constructive as it should be. President Barack Obama never once visited the Western Balkans in his eight years in office.<sup>7</sup> President George W. Bush made a mere three visits to the region, one visit apiece to Albania, Croatia, and Kosovo.<sup>8</sup> Under the

MAP 1

## The Western Balkans



SOURCE: Heritage Foundation research.

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Obama Administration, the U.S. State Department and Foreign Aid organizations viewed the transposition of a progressive social agenda onto the region as the most important aim of U.S. policy. Millions of taxpayer dollars have been spent<sup>9</sup> in support of “progressive” causes in the Western Balkans, much of it on policies the majority of Americans themselves do not support. These impelled policies were usually at odds with the views of the people living in the conservative and pious nations of the Western Balkans. In doing so, the U.S. damaged its standing in the

region and crowded out our legitimate security and economic interests.

The Trump Administration should put an end to the U.S. policy of imposing progressive social policies on the Western Balkans and interfering unnecessarily in the domestic politics of sovereign nation states.<sup>10</sup> Like the Hippocratic Oath, the U.S. should seek first to do no harm. U.S. engagement should focus on regional stabilization and working with our allies in Europe to advance a transatlantic security and economic agenda.

This agenda faces many hurdles. The Western Balkans remain the only region in Europe with unfinished business. Sectarian divisions are a constant undercurrent, and the region as a whole continues to struggle with high unemployment, pervasive corruption, and the flight of human capital, especially the young and educated.

### **Russia Seeks to Destabilize the Western Balkans**

The foremost external threat to the Western Balkans is Russia. Russia's interests in the Western Balkans are at odds with the goals of the U.S. and our European allies to continue to assist the region in progressing toward the transatlantic community. Russia seeks to sever the transatlantic bond forged with the Western Balkans. It seeks to do so by sowing instability. Chiefly Russia has sought to inflame pre-existing ethnic, historic, and religious tensions. Russian propaganda magnifies this toxic ethnic and religious messaging, fans public disillusionment with the West, as well as institutions inside the Balkan nations, and misinforms the public about Russia's intentions and interests in the region.<sup>11</sup>

An April 2017 report from the European Parliamentary Research Service cites the example of Russian propaganda outlet *Sputnik* stating, "Western Balkan media outlets lacking resources to prepare their own material are becoming increasingly reliant on stories from pro-Kremlin sources. Sputnik news agency arrived in Belgrade in 2014, and since then it has become a major supplier of often highly anti-Western content to outlets in Serbia and its neighbours."<sup>12</sup> In one recent example, a Russian propaganda piece, reposted on Serbian news sites, stated that Russia's decision to give six MiG fighters to Serbia was a response to a threat from NATO member Croatia.<sup>13</sup>

Russia has utilized its close military relationship with Serbia to exacerbate regional tensions. For instance, Russia has based soldiers at Niš airport in Serbia, a base that Serbia has used to meddle in northern Kosovo.<sup>14</sup> The "Russian-Serbian Humanitarian Center" at Niš—widely believed to be a Russian spy base—is only 58 miles from NATO's Kosovo Force mission based in Pristina. In addition to propaganda and military ties, Russia utilizes its diplomatic position to destabilize the region, especially in its continuing refusal to recognize Kosovo's independence.

Economically, Russia's influence in the Western Balkans has been on the decline for years. Trade with, and investment from, other European nations far outweighs trade and investment from Russia.<sup>15</sup> Russia's biggest economic influence in the region is in the energy sector, although even this influence centers on certain nations such as Bosnia and Herzegovina, Macedonia, and Serbia, which are dependent on Russian gas imports.<sup>16</sup> In December, Russian President Vladimir Putin stated he expected natural gas exports to Serbia to increase from 2 billion cubic metres (bcm) in 2017 to 3.5 bcm in 2022.<sup>17</sup>

Russia dealt a blow to Serbia in 2014 when it cancelled plans to build the South Stream Pipeline. The pipeline's proposed route through the Western Balkans would have been lucrative to Serbia and would have greatly strengthened Russia's energy grip on the region. In May 2017, Russia's Gazprom began construction on the Turkish Stream pipeline, which will bring Russian gas to Turkey via a pipeline under the Black Sea.<sup>18</sup> Russia plans to construct additional pipelines running northward into Greece and into southern and southeastern Europe.<sup>19</sup>

The Turkish Stream pipeline and planned lines feeding gas into the rest of Europe serve multiple purposes. As a new entry point for Russian gas into Europe, the pipelines will strengthen Moscow's grip on the continent's energy needs, thus increasing its future geopolitical leverage. Furthermore, in conjunction with the planned Nord Stream II pipeline, running from Russia to Germany, Turkish Stream would allow Russia to bypass overland pipelines and deprive nations such as Ukraine and the Baltic states of transit fees.<sup>20</sup>

### **Rising Chinese Interest in the Western Balkans**

In 2012, China launched the 16+1 Initiative seeking to build inroads with 16 countries (including every Western Balkan nation except Kosovo) in eastern and central Europe. China established a Secretariat in the Ministry of Foreign Affairs to oversee the initiative.<sup>21</sup> The first 16+1 Initiative summit was held in Warsaw and was opened by Chinese Premier Wen Jiabao. Since then summits are held annually in a different city, including Belgrade, which played host in 2014. In 2013, Chinese President Xi Jinping announced the larger One Belt, One Road project,<sup>22</sup> a \$900 billion economic and diplomatic initiative to invest in infrastructure across Africa, Asia, and

Europe. One Belt, One Road (now often referred to as the Belt and Road Initiative, or BRI) seeks in part to build up a reservoir of political influence in nations where China invests.

The Western Balkans in particular have received a significant influx of Chinese investment. Infrastructure projects funded by Chinese loans are usually built by Chinese companies, who bring in a Chinese labor force rather than relying on local labor.<sup>23</sup> By investing in infrastructure, China gains a nation fiscally and technologically indebted to them—as well as new and improved infrastructure that can be used to ship Chinese goods to European consumers. In November 2016, China announced it had created an \$11.15 billion investment fund for countries included in the 16+1 format.<sup>24</sup> However, despite the fanfare produced by the announcement, none of the fund has reportedly yet been spent.<sup>25</sup>

Chinese investments also do not come with the same regard for workers' rights and transparency as do American and European investments. After a Serbian plant was bought by a Chinese company in 2016,<sup>26</sup> it was noted: "Workers' contracts are veiled in secrecy, safety standards have fallen, maintenance is at the bare minimum and contact between the owners and the employees does not exist.... The erosion of workers' rights and the employers' disregard of labor laws are troubling."<sup>27</sup>

China has also utilized its diplomatic position to garner influence with the Western Balkans. China, along with Russia, continues to veto recognition of Kosovo as an independent state at the United Nations.<sup>28</sup> Chinese tourism to the Balkans has increased in recent years. In November 2016, China and Serbia signed an agreement to allow each other's citizens to travel visa-free for 30 days.<sup>29</sup> According to the European Travel Commission's 2017 Trends & Prospects Publication, Serbia was the top European growth destination for Chinese tourists, with a 110 percent increase in overnight stays over the year prior.<sup>30</sup> Montenegro saw the second-biggest increase with a 104.5 percent increase in Chinese tourist overnight stays; Croatia also recorded strong growth in Chinese tourist visits.<sup>31</sup> Past Chinese behavior in the Philippines, Taiwan, and South Korea has demonstrated that Beijing will not hesitate to turn off the flow of tourists (at significant cost to the destination country) in the event of economic or political disputes.

Chinese activity in the Western Balkans is a long-term investment that seeks to garner economic, dip-

lomatic, and political influence. Chinese banks and companies benefit financially from the investment, and Chinese policymakers gain additional "chips" to cash in at a future time. Unlike Russia, China does not seek to destabilize the Western Balkans, but rather to ingratiate itself with the nations of the region, opening new trade routes for Chinese goods and amassing economic and political influence. While not to the same degree, China, like Russia, prefers the nations of the Western Balkans not fully ensconced in the transatlantic community. In November, Macedonia's President Gjorge Ivanov warned that a lack of engagement from Europe in the Western Balkans is an opportunity for China and Russia to exploit.<sup>32</sup> The same can be said of the lack of engagement from the United States—which should be wary of China's new and growing interest in the region.

### **Turkey Retains Influence in the Western Balkans**

Turkey retains important cultural, religious, and historic ties to the Western Balkans. Turkey considers itself a Balkan nation,<sup>33</sup> and its proximity means that it is an important player in the region's economic, energy, and political picture. Turkey's recent deal with the EU to limit migrants, along with the specter of large numbers of migrants once again moving into the Western Balkans, gives the nation added influence.

In October, Turkish President Tayyip Erdogan traveled to Serbia, where he signed 12 new agreements,<sup>34</sup> including "a political declaration to create a cooperation body that would meet annually to coordinate joint projects"<sup>35</sup> and an expansion<sup>36</sup> of a 2009 free trade agreement signed between the two countries.<sup>37</sup> Erdogan also visited the town of Novi Pazar, a majority Muslim and ethnic Bosniak town in the Sandžak Region. Erdogan's visit sought to energize Turkey's cultural and religious ties to the region. In Novi Pazar he stated, "We have special relations with this region. Your happiness is our happiness, your pain is our pain."<sup>38</sup>

Turkey is seeking to increase its political influence in the region. In December, Erdogan's Justice and Development Party (AKP) announced plans to open nine new offices overseas, including offices in Bosnia and Herzegovina and in Macedonia.<sup>39</sup> AKP's Deputy Chairman Mehdi Eker explained the announcement by stating, "The AK Parti does not have a vision exclusively based on Turkey's domes-

tic politics. It has a vision about the world, humanity and civilization.”<sup>40</sup>

Turkey’s strongest cultural and religious ties, however, are in Kosovo and Bosnia and Herzegovina. Turkey has utilized investments in media and religious and cultural institutions to increase its sway. In Tirana, Albania, Turkey is funding construction of a mosque, which will be the largest in the Western Balkans.<sup>41</sup> In addition to the construction of mosques, Turkish money funds Turkish cultural institutions in the Western Balkans. According to Turkish pro-government media sources, “Turkey restored a total of 47 historical buildings including mosques, Mevlevi lodges, dervish lodges, shrines, fountains and baths from the Ottoman era, which are all located in the Balkans, between the years 2008 and 2016.”<sup>42</sup>

In 2007, Turkey created the Turkish Cultural Yunus Emre Center, a soft power instrument that promotes in part the teaching of the Turkish language in schools.<sup>43</sup> The centers operate three locations apiece in Albania, Bosnia and Herzegovina, and Kosovo and one location in each of Croatia, Macedonia, Montenegro, and Serbia.<sup>44</sup>

Turkey’s economic influence in the Western Balkans is particularly important in the energy sector. Two pipelines being built through Turkey will have significant economic and geopolitical ramifications for the Western Balkans. One pipeline, which Turkey and Russia are jointly building, is the Turkish Stream pipeline that commenced construction in May 2017.<sup>45</sup> The second pipeline, the Trans-Anatolian Pipeline (TANAP), makes up part of the U.S.-backed Southern Gas Corridor alongside the South Caucasus Pipeline, and the Trans-Adriatic (TAP) Pipeline. TANAP will run 1150 miles through Turkey crossing 20 Turkish provinces.<sup>46</sup> The Southern Gas Corridor once complete will bring natural gas from Azerbaijan to Southern and Southeastern Europe.<sup>47</sup> The Southern Gas Corridor is expected to begin delivering gas to Europe by 2020.<sup>48</sup>

The Western Balkans have also come under heavy strain, as has almost all of Europe from the ongoing migrant crisis. According to the European Border and Coast Guard Agency (Frontex), in 2015 at the height of the migrant crisis, the Western Balkan route saw 764,000 illegal crossings, sixteen times greater than in 2014.<sup>49</sup> Some terrorists slipped into Europe via the Balkan route, including at least two of the terrorists responsible for the Paris terror attacks in November 2015.<sup>50</sup> The combination of

an EU–Turkey deal in March 2016 to limit migrant flows along with Western Balkan nations closing their borders<sup>51</sup> considerably cut down on the number of migrants traveling through the Western Balkans to reach places like Germany and Sweden. Today, around 4,000 migrants remain in asylum centers in Serbia, nearly 500 remain in Croatia, and 60 in Macedonia.<sup>52</sup>

While Erdogan has threatened to open the border gates and allow new migrants to once again flow to the Balkans, the route remains ostensibly closed.<sup>53</sup> Human traffickers in the Western Balkans continue, however, to smuggle migrants through the Balkan route, but the absolute numbers of migrants utilizing the Balkan route are far smaller than before the EU–Turkey deal was struck.<sup>54</sup> The governments of the Western Balkans have not forgotten Turkey’s threat to once again open its border for migrants seeking to utilize the Balkan route into Europe. This potentiality remains a significant point of leverage for Turkey—and its ace-in-the-hole in dealings with the Western Balkans and the broader EU.

As the U.S. forms a Western Balkan policy, it must remain cognizant of Turkey’s significant cultural and religious ties to the Western Balkans. Not being naïve to the potential negative impacts of this influence means the U.S. should cast a discerning eye on Turkey’s actions in the region—especially as long as the autocratic regime of Erdogan remains in power. However, as a U.S. ally and NATO partner, Turkey’s role in the Western Balkans should not be viewed reflexively as necessarily negative. Turkey contributes over 300 troops to NATO’s KFOR mission.<sup>55</sup>

In addition, Turkey traditionally has championed a more moderate version of Islam in the region than that supported by the Gulf States and Iran. While it is important not to overstate Turkish economic influence in the Western Balkans, as a fulcrum of two major ongoing pipeline projects, Turkey continues to hold an economic and geostrategic position that also should not be undersold. Perhaps most importantly, a Turkish decision to reopen the flow of migrants to the Western Balkans would prove destabilizing and contrary to U.S. interests.

### **Terrorism in the Western Balkans**

In addition to economic and political instability, Chinese investments, and Russia’s destabilizing influence, the Western Balkans are also faced with the threat from Islamist terrorism. According

to the government of Bosnia and Herzegovina, 240 Bosnians have left to join the so-called Islamic State since 2012, with 44 having returned (23 of whom are in jail).<sup>56</sup> In September, Denis Zvizdic, the Chairman of the Council of Ministers of Bosnia and Herzegovina, denied<sup>57</sup> news reports<sup>58</sup> that radical Islamists have gained a base in rural areas of the nation. However, in November, news reports surfaced that the German Intelligence Agency has become increasingly concerned about the Islamist terrorist threat emanating from the Western Balkans—with a particular focus on Bosnia and Herzegovina.<sup>59</sup>

The threat from Islamist terrorists in the Western Balkans cannot be limited to one nation. Indeed, as Heritage Foundation experts noted at the height of the so-called Islamic State's territorial control, "There are several hundred fighters from the Balkans fighting in Iraq and Syria. These foreign fighters have even formed a 'Balkans Battalion' for the Islamic State. The bulk of the fighters have come from Kosovo, but others can be traced back to Albania, Bosnia, and the Republic of Macedonia."<sup>60</sup>

Kosovo continues to struggle with Islamist terrorism. According to Kosovo's Ministry of the Interior, "Since 2012, 316 people—including women and children—have left the country to join the so-called 'Islamic State' terrorist militia. Of those 316 people, 58 have been killed and 117 have returned to Kosovo."<sup>61</sup> In November 2016, Kosovar authorities foiled an Islamist plot to attack Israel's national soccer team, as well as fans attending the match with Albania's National Team, which was to be played in Shkoder, Albania.<sup>62</sup> The plot purportedly also included plans to stage simultaneous terror attacks in Kosovo and Macedonia.<sup>63</sup> In March 2017, Italian police arrested three Kosovars living in Italy who were planning to blow up Venice's Rialto Bridge.<sup>64</sup>

While Muslims in the Western Balkans have traditionally practiced a moderate form of Islam, an influx of radical Wahhabi mosques and imams in recent decades—funded by the Gulf States and Saudi Arabia—have in part created the Islamist challenge now faced by the region.<sup>65</sup> Iran is also active in the Western Balkans, pushing a radical brand of Shi'ite Islam.<sup>66</sup> In 2016, Kosovo arrested Hasan Azari Bejandi, who ran a network of Shi'ite organizations in the nation, charging him with money laundering and financing terrorism.<sup>67</sup> Europol, in its 2017 EU Terrorism and Situation Trend Report states, "In some parts of the Western Balkan region, radical Islamist

ideology promoted by radical preachers and/or leaders of some Salafist groups, challenging the traditional dominance of moderate Islam in the region, has gained considerable ground."<sup>68</sup> High unemployment, the region's youthfulness, and the spread of modern technology has exacerbated this challenge.

The Western Balkans are squeezed between the threats from Russian destabilization, growing attempts by China to gain an economic and political foothold in the region, and risks from radical Islamist terrorism exacerbated by the migrant crisis. Layered underneath these threats are challenges from rampant unemployment; persistent corruption; and ethnic, religious, and historic tensions, which go back centuries.

The Western Balkans remain Europe's tinderbox; U.S. engagement and leadership will prove critical in ensuring the box does not ignite. How do these broader thematic issues play out in each of the individual Western Balkan nations?

### **The Republic of Albania**

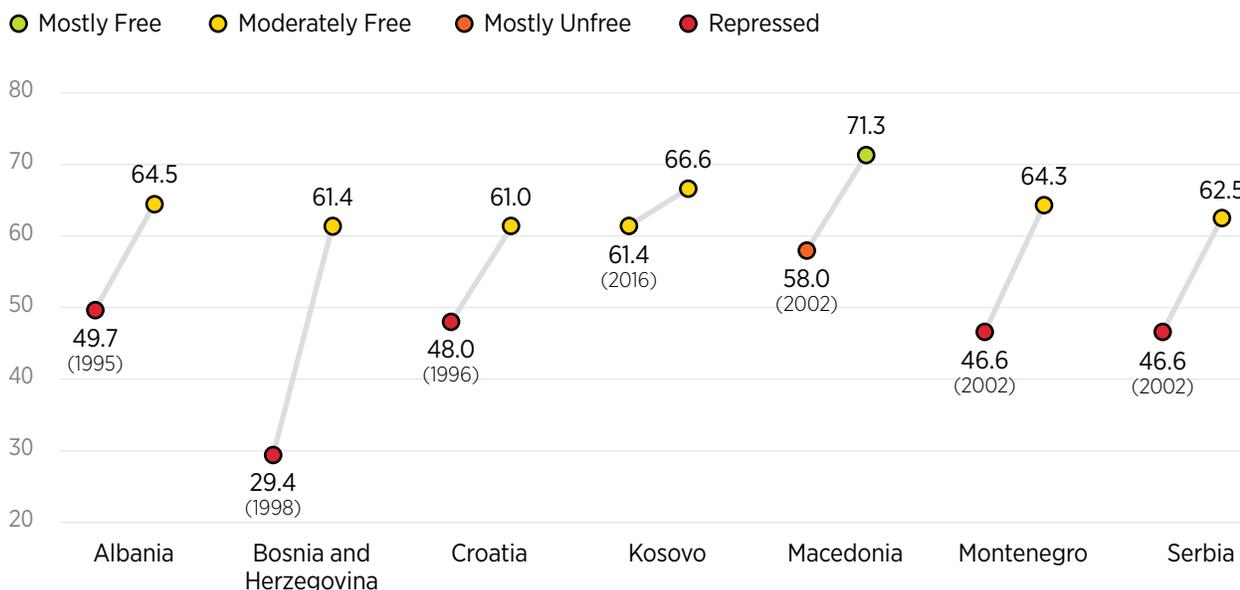
Fifty years of communist rule ended in 1992, and since that time, Albania has moved consistently in the direction of integrating into Western structures. Albania became a member of NATO in 2009, and since 2014 is a candidate country for acceding to the EU. In 2014, Albania signed a Strategic Partnership agreement with the U.S. to increase cooperation, including improvements in the rule of law. Albania currently has deployed 83 troops to Afghanistan, taking part in NATO's Operation Resolute Support mission.<sup>69</sup> Albanian troops are also taking part in NATO's Enhanced Forward Presence, contributing a small contingent of engineers to the Canadian-led battlegroup in Latvia.<sup>70</sup>

Albania's economy has experienced strong recent growth, with gross domestic product (GDP) increasing by 3.5 percent in 2016.<sup>71</sup> Agriculture, which employs about half of the workforce, is the most important sector. However, tourism has become increasingly important in recent years, accounting for 8.4 percent of GDP in 2016.<sup>72</sup> Italy is Albania's top trade partner, accounting for 36.3 percent of total trade in the first eight months of 2017; China was the fourth-largest trading partner during that period, accounting for 6.4 percent of total trade.<sup>73</sup> In October 2016, a Chinese firm purchased the operator of Tirana International Airport (TIA), currently Albania's most important airport, servicing the cap-

CHART 1

## Economic Freedom in the Western Balkans

INDEX OF ECONOMIC FREEDOM SCORES, FIRST RECORDED YEAR (IN PARENTHESES) AND 2018



SOURCE: Terry Miller, Anthony B. Kim, and James Roberts, *2018 Index of Economic Freedom* (Washington: The Heritage Foundation, 2018), <http://www.heritage.org/index>.

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ital.<sup>74</sup> As in the other Western Balkan nations, China is investing in infrastructure projects,<sup>75</sup> although like fellow Western Balkan NATO member Croatia, Chinese investment in Albania is far below the rest of the region despite major investments such as TIA airport.<sup>76</sup>

One of Europe's youngest countries, with 19 percent of its population between the ages of 15 and 24, Albania's<sup>77</sup> potential is extensive, yet it has been hampered by stubborn problems like corruption, organized crime, and unemployment. Albania's high unemployment rate (13.6 percent) is problematic,<sup>78</sup> and the nation's staggeringly high youth unemployment (57.7 percent) represents a generational crisis. It is a problem faced across the region. Croatia's unemployment rate (10.4 percent) is dwarfed by its youth unemployment rate (25.3 percent).<sup>79</sup> Bosnia and Herzegovina has the highest youth unemployment rate in the world at 67.5 percent.<sup>80</sup> Kosovo (60 percent),<sup>81</sup> Macedonia (50.1 percent),<sup>82</sup> and Montenegro (36 percent) also have extremely high youth unemployment.<sup>83</sup> Among the myriad implications of

youth joblessness in the Western Balkans is a damaging and predictable consequence: brain drain.

The region as a whole is unable to keep its young, smart talent. Brain drain is responsible in part for Croatia's declining population.<sup>84</sup> In fact, most of the countries are reportedly bleeding talent. Bosnia and Herzegovina, for instance, has an exceptionally high number of people living abroad at 44.5 percent.<sup>85</sup> The World Economic Forum's 2016–2017 Global Competitiveness Report ranked Serbia 137th out of 138 countries for "capacity to retain talent." Bosnia was ranked 134 and Croatia 132, while Albania and Macedonia were just slightly ahead.<sup>86</sup>

### The Republic of Croatia

A robust U.S. ally in the Western Balkans, Croatia joined NATO in 2009 and the EU in 2013. Croatia has been a member of the United States State Partnership Program (SPP) since 1996, partnering with the Minnesota National Guard.<sup>87</sup> Croatian troops have deployed to Afghanistan in support of Operation Resolute Support.<sup>88</sup> In November, Croatia began

deploying 181 soldiers to Lithuania, where they will take part in NATO's Enhanced Forward Presence.<sup>89</sup> In June 2017, Croatian troops—alongside American, British, Lithuanian, and Polish troops—took part in Saber Strike 17, the first time NATO had exercised securing the crucial Suwalki Gap between Lithuania and Poland.<sup>90</sup> Croatia is also a member of the counter-ISIS coalition, principally contributing by providing weapons to Kurdish Peshmerga fighters.<sup>91</sup>

In addition to contributing to NATO missions and the U.S.-led coalition to counter ISIS, Croatia is emerging as a regional energy leader. The principal reason for this is the nation's decision to build a liquefied natural gas (LNG) import terminal at Krk Island, which will receive its first LNG imports by the end of next year or early 2020.<sup>92</sup> Croatia's location underscores the geopolitical importance of the project. Gas imported at Krk could be distributed across the Western Balkans, with potential for a more widespread impact across Europe in conjunction with other LNG import terminals in Lithuania and Poland. Croatia's new terminal is sorely needed in the Balkans, a region dependent on Russia energy, albeit with some nations more heavily dependent than others. In 2016, Russia supplied 80 percent of Serbia's natural gas<sup>93</sup> and over 80 percent of Bulgarian and Greek natural gas.<sup>94</sup> Across Europe, strong demand and lower prices for Russian gas contributed to a rise in Russian gas exports to Europe of 8.1 percent in 2017.<sup>95</sup>

The Krk Island LNG terminal project has the double benefit of opening a new entry point for U.S. natural gas exports, while at the same time helping provide Europe with alternative energy sources—ones that do not come with the geopolitical downside that Russian energy does. The Three Seas Initiative, which Croatia is helping to lead, is an effort by 12 European nations situated between the Adriatic, Baltic, and Black Seas to develop energy and infrastructure ties between their nations. If successful, the initiative has the potential to spur economic growth, lessen the region's dependence on Russian energy, and create new inroads between economies with significant growth potential. Speaking at the Three Seas Initiative Summit in July 2017, which Croatia co-hosted with Poland, President Trump stated, "The United States will never use energy to coerce your nations, and we cannot allow others to do so. You don't want to have a monopoly or a monopolistic situation. The United States is firmly

committed to open, fair, and competitive markets for global energy trade."<sup>96</sup>

While the U.S. remains Croatia's most important ally, Russia and China are seeking to expand inroads into the Western Balkan nation. Chinese investment in Croatia is far below that of neighboring Western Balkan nations—but is not insignificant.<sup>97</sup>

Russia, for its part, is attempting to gain increased leverage in Zagreb, chiefly via economic chips. In May, former Croatian Minister of Foreign and European Affairs Davor Ivo Stier traveled to Moscow.<sup>98</sup> There he stated, "We will also discuss the issues of economic, cultural, and tourism cooperation. In all these fields, we will open a new chapter in our cooperation."<sup>99</sup> While American, Chinese, and European tourists make up the largest share of visitors to Croatia,<sup>100</sup> the Western Balkan country remains a top destination for Russian tourists.<sup>101</sup>

One point of potential leverage for Russia in Croatia is Agrokor, the largest private company in Croatia, which directly and indirectly employs hundreds of thousands of people in the Western Balkans and whose revenue made up around 15 percent of Croatian GDP.<sup>102</sup> The company remains in serious financial trouble burdened by \$6.53 billion in debt.<sup>103</sup> Russia's Sberbank is Agrokor's largest creditor.<sup>104</sup> Vladimir Putin and Croatian President Kolarica Grabar-Kitarovic discussed Agrokor's financial troubles at an October meeting in Sochi, Russia.<sup>105</sup> A month earlier, in September, Russian state energy company Gazprom and a Croatian energy company announced a 10-year deal to supply gas.<sup>106</sup>

## The Republic of Serbia

Russia's influence in the Balkans centers on Serbia, a fellow religiously orthodox nation with whom it enjoys a close economic, political, and military relationship. Serbia and Russia have an agreement in place allowing Russian soldiers to be based at Niš airport in Serbia. The two countries signed a 15-year military cooperation agreement in 2013 that includes sharing of intelligence, officer exchanges, and joint military exercises.<sup>107</sup> In October, Russia gave Serbia six MiG-29 fighters (which while free, will require Serbia to spend \$235 million to have them overhauled).<sup>108</sup> Additionally, Russia plans to supply Serbia with helicopters, T-72 tanks, armored vehicles, and potentially even surface-to-air missile systems.<sup>109</sup> According to the *Index of U.S. Military Strength*, "In November 2016, Serbia hosted a joint

exercise named Slavic Brotherhood with Belarus and Russia that consisted of 700 troops.”<sup>110</sup>

Except for those in the Commonwealth of Independent States, Serbia is the only country in Europe that has a free trade deal with Russia.<sup>111</sup> Talks between the Serbs and the Russian-led Eurasian Economic Union continue.<sup>112</sup> Russia is Serbia’s second-largest trading partner after the European Union. Serbia remains heavily dependent on Russian energy, and energy exports make up the bulk of trade between Serbia and Russia.

China has begun heavily investing in Serbia. Chinese President Xi Jinping’s visit to Serbia in June 2016 was the first time in 30 years a Chinese President had visited the Balkan Country.<sup>113</sup> During the visit, China and Serbia signed a strategic partnership declaration, along with 21 trade and investment deals.<sup>114</sup>

In November, construction began on a \$3.8 billion, 209-mile high-speed rail project to link Serbia’s capital, Belgrade, with Budapest, Hungary.<sup>115</sup> Chinese bank loans are funding the project, and China plans to utilize the new rail link to help distribute goods arriving at the Greek port of Piraeus. Questions, however, have been raised about both just how fast the rail link will function upon completion as well as its value for faster shipment of Chinese goods arriving in Greek ports (rail links to Piraeus from Serbia are not well developed nor maintained).<sup>116</sup> Still, the rail project is valuable to China as a concrete example of infrastructure developed through the BRI. Additionally, China will profit from the project because Chinese banks are underwriting the cost of the project, and Chinese companies are completing much of the actual construction. China has loaned Serbia nearly \$7 billion<sup>117</sup> for its infrastructure projects.

Additional projects include a \$715 million expansion of a coalmine near the town of Kostolac and the building of a new 350-megawatt coal-fired power plant. The plant will be the first new power plant in Serbia in three decades.<sup>118</sup> China has also helped fund and build a €170 million bridge in Belgrade, as well as a €600 million road between Belgrade and Bar, Montenegro.<sup>119</sup> In October, China and Serbia announced a joint project to construct a €300 million industrial park in Belgrade.<sup>120</sup> Zorana Mihajlovic, Serbia’s Minister of Construction, Transport, and Infrastructure has stated, “It would not be immodest or wrong to say that Serbia is China’s main partner in Europe.”<sup>121</sup>

Despite Serbia’s economic and military ties with Russia and Chinese investment in the country, the nation retains far more ties with the West. Serbia joined NATO’s Partnership for Peace (PfP) Program in 2006,<sup>122</sup> and in January 2015, Serbia and NATO agreed upon an Individual Partnership Action Plan, which “is a jointly agreed framework in which a partner nation lays out its reform goals and the areas where NATO can provide assistance to achieve those goals.”<sup>123</sup> It is important to note that Serbia still conducts military exercises far more without Russia than with Russia: “In 2016, out of 26 training exercises only two are with Russia. Out of 21 multinational training drills in 2015, the Serbian military participated in only two with Russia.”<sup>124</sup> Economically, Russian FDI in Serbia paled in comparison to FDI from U.S. allies such as the Netherlands and Austria.<sup>125</sup>

## **Montenegro**

The newest NATO member, Montenegro joined the alliance as its 29th member state on June 5, 2017.<sup>126</sup> The accession of Montenegro marked the first round of NATO enlargement since 2009—and a significant step forward for regional security. Montenegro is also seeking EU membership, in December opening two new chapters in accession negotiations, which have been ongoing since June 2012.<sup>127</sup>

Montenegro’s military is relatively small, but it has already proven itself a worthy partner for the U.S. Montenegrin troops took part in NATO’s International Security Assistance Force mission in Afghanistan from 2010–2014, and its men and women in uniform continue to contribute to the follow-on Operation Resolute Support, helping to advise, train, and assist Afghan security forces. Today, 18 Montenegrin service members take part in Operation Resolute Support.<sup>128</sup> In addition, Montenegro has been part of the SPP since 2006, partnering with the Maine National Guard. In August, Vice President Mike Pence became the first U.S. Vice President to visit Montenegro. In his remarks he stated, “By bringing the Adriatic ever closer to the Atlantic, we can ensure a brighter future not only for the Western Balkans, but for the West itself.”<sup>129</sup>

In 2015, Russia unsuccessfully sought access to Montenegrin ports for the Russian navy to refuel and perform maintenance. Montenegro’s decision to join NATO infuriated Russia, as senior members of the Russian government have cited NATO enlargement in the Balkans as one of the biggest threats to

Russia.<sup>130</sup> Russia stands accused of being behind a failed plot to break into Montenegro's parliament on Election Day, assassinate the former prime minister, and install a pro-Russian government. The trial of 14 people accused of taking part in the coup plot began in July 2017.<sup>131</sup> Two Russian nationals believed to be the masterminds behind the plot are being tried *in absentia*. In November, Russia denied Montenegro's request to extradite a Montenegrin citizen believed to be involved in the plot.<sup>132</sup>

Russia has sought to expand its influence in the Balkan region and retains strong economic ties in Montenegro, including tourism and property ties. "Annually an estimated 200,000 Russians visit Montenegro, a small country of just 650,000 inhabitants, and 80,000 Russians own property there."<sup>133</sup> Russia accounts for one-third of FDI to Montenegro, and Russian nationals or companies own 40 percent of real estate in the nation—as well as almost one-third of all Montenegrin companies.<sup>134</sup>

Much like Serbia, Chinese investment is active in Montenegro. Construction on the Montenegrin portion of a highway connecting Bar with Belgrade has begun. The project is financed almost entirely through loans from China ExIm Bank, with The China Road and Bridge Corporation the contractor for the project.<sup>135</sup> In September 2017, the International Monetary Fund issued a report raising concerns about the project's impact on Montenegro's debt: The first phase of the project alone costs €1 billion or 25 percent of Montenegro's 2017 GDP.<sup>136</sup> In November 2015, Montenegro, along with Albania, signed an initial \$3.2 billion deal with China Pacific Construction Group to build a highway linking the two nations. Construction on the Adriatic–Ionian highway, a second major planned infrastructure project, has yet to begin; however, in November 2017, Albania and Montenegro began a feasibility study.<sup>137</sup>

### **Bosnia and Herzegovina**

Bosnia and Herzegovina is on the path to joining the transatlantic community but has a long way to go. It negotiated a Stabilization and Association Agreement with the EU, but the agreement is not in force because key economic and political reforms have not been implemented. In 2010, NATO offered Bosnia and Herzegovina a Membership Action Plan, but progress on full membership has been stalled because immovable defense properties are still not controlled by the Ministry of Defense.

Two sub-state entities within Bosnia and Herzegovina emerged following the civil war of the 1990s: the Bosnian and Croat Federation of Bosnia and Herzegovina and the heavily Bosnian Serb Republika Srpska. Moscow knows that the easiest way to prevent Bosnia and Herzegovina from entering the transatlantic community is by exploiting internal ethnic and religious divisions between the Bosniak, Croat, and Serb populations inside the country.

Republika Srpska's leader, Milorad Dodik, has long advocated independence for the region and has enjoyed a very close relationship with the Kremlin. Recent events in Ukraine, especially the annexation of Crimea, have inspired more separatist rhetoric in Republika Srpska. In many ways, Russia's relationship with Republika Srpska is akin to its relationship with Georgia's South Ossetia and Abkhazia autonomous regions—more like a relationship with another sovereign state than a relationship with a semi-autonomous region inside Bosnia and Herzegovina.

When Russian President Putin visited Serbia in October 2014, Dodik was treated like a head of state and was invited to Belgrade to meet with him. More recently, in September 2016, Dodik was treated as a head of state on a visit to Moscow just days before a referendum that chose January 9 as Republika Srpska's "statehood day"—a date filled with religious and ethnic symbolism for the Serbs. In 2017, Republika Srpska hosted its "statehood day" in defiance of a ruling by Bosnia's federal constitutional court that both the celebration and the referendum establishing it were illegal. The U.S. sanctioned Dodik in January 2017, saying, "By obstructing the Dayton accords, Milorad Dodik poses a significant threat to the sovereignty and territorial integrity of Bosnia–Herzegovina."<sup>138</sup>

On January 9, 2018, Bosnian Serbs again held "statehood day."<sup>139</sup> Joining in this year's "statehood day" celebrations was a delegation from the break-away region of South Ossetia in Georgia.<sup>140</sup> Dodik and the self-proclaimed leaders of South Ossetia "signed a memorandum on cooperation between the "states."<sup>141</sup> Russia has reportedly trained a Republika Srpska paramilitary force in Russia at the nearby Niš airbase to defend the Serbian entity. It has been reported that "[s]ome of its members fought as mercenaries alongside the Kremlin's proxy separatists in Ukraine."<sup>142</sup> Russia's destabilizing actions further inflame tensions inside Bosnia and Herzegovina.

MAP 2

## Districts of Bosnia and Herzegovina



SOURCE: Heritage Foundation research.

BG3286 heritage.org

Turkey also retains a strong interest in Bosnia and Herzegovina. In January, Bakir Izetbegović, who is the current Bosniak member of the nation's joint presidency, traveled to Istanbul, where he met with President Erdogan and Serbian President Aleksandar Vucic.<sup>143</sup> The meeting was criticized by Dragan Čović, the Croat member of the joint presidency, and current Chairman of the Presidency of Bosnia and Herzegovina, along with Milorad Dodik.<sup>144</sup> Turkey attempted unsuccessfully to organize a similar meeting between Izetbegović and then-Serbian President Tomislav Nikolić in 2013.<sup>145</sup>

Turkey seeks to cultivate its soft-power ties to the Western Balkans. In 2014, Bakir Izetbegović, who was then Chairman of the Presidency of Bosnia and Herzegovina, made a state visit to Turkey. At a press conference, then-Turkish President Abdullah Gül spoke

of Turkey's ties saying, "Turkish–Bosnian bilateral relations are special and based upon a deep-rooted historic past and unshakable human bonds."<sup>146</sup> In 2015, President Erdogan hosted President Izetbegović aboard Turkey's Presidential yacht, the first time a state visit had been held on the yacht since its purchase in 1989.<sup>147</sup> While Turkey only accounts for 3 percent of total foreign investment in Bosnia and Herzegovina, it has promised to co-finance a highway that would connect Belgrade and Sarajevo.<sup>148</sup>

Of all the Balkan nations, Bosnia has received the largest Chinese inward infrastructure investment since 2012.<sup>149</sup> In 2014, a Bosnian state-owned power company signed a €1.4 billion deal with Chinese ExIm Bank to build a highway from Banja Luka to Mlinište.<sup>150</sup> China had also invested heavily in the building of coal-fired power plants in Bosnia and

## Brčko

Brčko is a city in northeast Bosnia and Herzegovina just across the border from Croatia and near the Serbian border. During the Bosnian War, the city and surrounding area saw intense fighting and the people of the city suffered horrific atrocities. The General Framework Agreement for Peace in Bosnia and Herzegovina\* also known as the Dayton Accords (they were signed in Dayton, Ohio), which ended the war, left the status of the disputed Brčko District to future arbitration. On March 1999, The Arbitral Tribunal for Dispute over Inter-Entity Boundary in Brčko Area issued its final decision. It stated “Upon the establishment of the new District, the entire territory, within its boundaries (i.e., the pre-war Brčko Opština) will thereafter be held in “condominium” by both entities simultaneously: The territory of the RS will encompass the entire Opština, and so also will the territory of the Federation. Neither entity, however, will exercise any authority within the boundaries of the District, which will administer the area as one unitary government.”† Today, the Brčko District of Bosnia and Herzegovina established in 2000, is a “self-governing District under the sovereignty of Bosnia and Herzegovina.”‡ The district contains large numbers of Bosniaks, Serbs, and Croats, and unlike either the Federation of Bosnia and Herzegovina and Republika Srpska, education in the Brčko District is multiethnic.§ In addition, the Brčko District also has its own courts, healthcare system, and police force.||

\* Dayton Peace Agreement, Organization for Security and Cooperation in Europe, December 14, 1995, <http://www.osce.org/bih/126173> (accessed February 5, 2018). 8).

† Final Award the Arbitral Tribunal for Dispute over Inter-Entity Boundary in Brčko Area, March 5, 1999, Office of the High Representative in Bosnia and Herzegovina, [http://www.ohr.int/?ohr\\_archive=arbitral-tribunal-for-dispute-over-inter-entity-boundary-in-brcko-area-final-award](http://www.ohr.int/?ohr_archive=arbitral-tribunal-for-dispute-over-inter-entity-boundary-in-brcko-area-final-award) (accessed February 5, 2018).

‡ “Is Brčko District a Condominium, an Entity or a Municipality?” Office of the High Representative in Bosnia and Herzegovina, March 12, 2003, <http://www.ohr.int/?p=48496> (accessed February 5, 2018).

§ Peter Geoghegan, “Welcome to Brčko, Europe’s Only Free City and a Law unto Itself,” *The Guardian*, May 14, 2014, <https://www.theguardian.com/cities/2014/may/14/brcko-bosnia-europe-only-free-city> (accessed February 5, 2018).

|| Ibid.

Herzegovina. China is considering a plan to invest \$1.2 billion in developing a coal mine and a new coal-fired power plant in Sanski in the Federation of Bosnia and Herzegovina.<sup>151</sup> The Republica Srpska, in particular, has received a healthy dose of Chinese investment funds.<sup>152</sup> In December, a Chinese rail company was awarded a €241 million contract to modernize rails in Republika Srpska.<sup>153</sup>

As is true in the entire Western Balkan region, Chinese investment projects do not contain the same demands for reform and transparency that investment from Western sources do. As one report notes, “China often opportunistically takes advantage of the region’s frictions, offering itself as an easy alternative to Western demands for reforms.”<sup>154</sup> Chinese projects also fuel cycles of corruption, a problem endemic throughout the region. The same report goes on to note, “When coupled with top-down rather than market-driven procurement decisions, China’s offer allows Balkan decision-makers not only to

bring economic growth but also to fuel patronage networks and boost electoral advantages.”<sup>155</sup>

## The Republic of Macedonia

With the dissolution of Yugoslavia in 1991, Macedonia became an independent state under its new constitutional name, Republic of Macedonia. Greece quickly protested on the baseless grounds that the name Macedonia, which is the same as that of Greece’s northern province, implied regional territorial claims by the new nation.

In 1993, Macedonia joined the United Nations under the provisional name “the former Yugoslav Republic of Macedonia.” In 1995, Macedonia and Greece agreed to a U.N.-brokered interim accord in which Athens agreed not to block Macedonia’s integration into international organizations, such as NATO, so long as it called itself “the former Yugoslav Republic of Macedonia” until both sides agreed on a mutually acceptable name.

## Austria

Austria is a regional player that retains a strong cultural, economic, historic, and strategic interest and ties in the Western Balkans. For example, in Vienna, the second-largest ethnic group after Austrians are Serbians.\*

Austria was significantly impacted by the migrant crisis, taking in 50,000 migrants in 2015 alone.† Since that time, Austria has tightened border controls and deployed the army to patrol its external borders.‡ In the new Austrian government headed by the conservative Austrian People's Party Chancellor Sebastian Kurz, the Western Balkans have a sympathetic partner on the issue of migrants. Chancellor Kurtz, recently Foreign Minister, led efforts to close the Balkan route and promised to end illegal immigration to Austria during the campaign.§ In December, writing about the migrant crisis, he noted its social impact on Austria, saying, "It very quickly became clear that a successful integration of so many people with a very different cultural background and often lower levels of education would present a huge challenge for our society."||

Economically, Austria has invested heavily in the Western Balkans as the largest foreign direct investor (FDI) in Bosnia and Herzegovina,# the second-largest in Croatia,\*\* Macedonia,†† and Serbia,‡‡ and the fourth-largest investor in Albania.§§ The Austrian government has stated that the "primary goal of Austrian foreign policy is to support the transformation of the Western Balkans area into a zone of stability."|||

Austria has advocated for the integration of Western Balkan nations into the West and has championed increased European initiatives and presence in the region.## In an August 2017 interview,

\* City of Vienna, "Facts and Figures on Migration 2017: Viennese Population,"

<https://www.wien.gv.at/english/social/integration/basic-work/facts-figures.html> (accessed January 25, 2018).

† "Austria Reinforces Army Presence and Control on Italian Border," *The Local Italy*, August 10, 2017, <https://www.thelocal.it/20170810/austria-reinforces-army-presence-and-control-on-italian-border> (accessed January 25, 2018).

‡ Ibid.

§ "Who Is Sebastian Kurz, Europe's Youngest Leader?" *Al Jazeera*, October 17, 2017, <http://www.aljazeera.com/news/2017/10/sebastian-kurz-europe-youngest-leader-171016124645623.html> (accessed January 25, 2018).

|| Sebastian Kurz, "Only By Regaining Control Can We Solve the Migration and Refugee Crisis," *Time*, December 18, 2017, <http://time.com/5068561/sebastian-kurz-austria-chancellor-migrant-crisis/> (accessed January 25, 2018).

# U.S. Department of Commerce, International Trade Administration, "Bosnia: Foreign Direct Investment and Foreign Portfolio Investment Statistics," October 7, 2017, <https://www.export.gov/article?id=Bosnia-foreign-direct-investment-statistics> (accessed January 25, 2018).

\*\* U.S. Department of Commerce, International Trade Administration, "Croatia: Foreign Direct Investment and Foreign Portfolio Investment Statistics," March 8, 2017, <https://www.export.gov/article?id=Croatia-Foreign-Direct-Investment-Statistics> (accessed January 25, 2018).

†† U.S. Department of Commerce, International Trade Administration, "Macedonia: Foreign Direct Investment and Foreign Portfolio Investment Statistics," August 17, 2017, <https://www.export.gov/article?id=Macedonia-Foreign-Direct-Investment-Statistics> (accessed January 25, 2018).

‡‡ U.S. Department of Commerce, International Trade Administration, "Serbia: Investment Statistics and Foreign Portfolio Investment Statistics," July 25, 2017, <https://www.export.gov/article?id=Serbia-Foreign-Direct-Investment-and-Foreign-Portfolio-Investment-Statistics> (accessed January 25, 2018).

§§ U.S. Department of Commerce, International Trade Administration, "Albania: Foreign Direct Investment and Foreign Portfolio Investment Statistics," August 24, 2017, <https://www.export.gov/article?id=Albania-Foreign-Direct-Investment-Statistics> (accessed January 21, 2018).

||| Republic of Austria, Federal Ministry for Europe, Integration, and Foreign Affairs, "The Western Balkans: A Priority of Austrian Foreign Policy," <https://www.bmeia.gv.at/en/european-foreign-policy/foreign-policy/europe/western-balkans/> (accessed January 25, 2018).

## Ibid.

Chancellor Kurz expressed concern over rising Turkish and Saudi Arabian influence in the Western Balkans.<sup>\*\*\*</sup>

Austria contributes to NATO's KFOR peacekeeping force with nearly 500 troops.<sup>†††</sup>

\*\*\* Aleksandra Radu, "Kurz: Growing Influence of Turkey and Saudi Arabia in the Western Balkans," *European Western Balkans*, August 22, 2017, <https://europeanwesternbalkans.com/2017/08/22/22263/> (accessed January 25, 2018).

††† North Atlantic Treaty Organization-Kosovo Force, "Kosovo Force: Key Facts and Figures."

Macedonia joined NATO's Partnership for Peace in 1995 and received a Membership Action Plan (MAP) in 1999. Upon completing its MAP in 2008—meaning it had met all requirements to join the alliance—Macedonia anticipated an invitation to join that year at the NATO summit in Bucharest. At the last minute, Greece unilaterally vetoed Macedonia's accession over the name issue. In December 2011, the International Court of Justice ruled that Greece's veto was in blatant violation of the 1995 interim accord.

Nevertheless, Macedonia's accession to NATO remains on hold, stymied by Greek opposition. The United States must show leadership on the issue of Greece's illegal and exasperating veto. The timing for U.S. leadership is opportune. On January 9, 2018, Greece and Macedonia agreed to renew talks to find a settlement over the name dispute.<sup>156</sup> Two weeks later, Macedonian Prime Minister Zoran Zaev announced that Skopje Alexander the Great Airport would be renamed as a concession to help resolve the name dispute.<sup>157</sup> Many Greeks still oppose a resolution to the dispute, as evidenced by large-scale protests in Thessaloniki in January and Athens in February opposing the government's negotiations with Macedonia.<sup>158</sup> The U.S. should use its significant leverage with Greece and within NATO to push for a resolution to the dispute in time for the next NATO summit in Brussels.

The decade-long denial of Macedonia's admission to NATO membership is having a deleterious impact on the public's perception of the alliance. While support for membership remains high, public support is beginning to decline. Polling data from the International Republican Institute showed that in April 2008, 92 percent of Macedonians supported membership and only 5 percent opposed it. By April 2016, the percentage of Macedonians who supported membership had fallen to 73 percent, with 20 percent opposing membership.<sup>159</sup>

Russia's destabilizing influence may be partially to blame. Leaked reports of a memo prepared for the Director of Macedonia's Administration for Security and Counterintelligence detail Russia's decades-long efforts to destabilize Macedonia through espionage and propaganda.<sup>160</sup> One leaked excerpt states that "it is evaluated that in the past nine years, the Republic of Macedonia has been undergoing strong subversive propaganda and intelligence activity implemented through the Embassy of the RF (Russian Federation)."<sup>161</sup>

Russia's efforts to gain influence in Macedonia center heavily on the nation's Orthodox Christian beliefs. In 2015, Russia's Ambassador to Macedonia attended a groundbreaking ceremony for a Russian Orthodox Church being built in Skopje.<sup>162</sup> The church project, one of several throughout the region, is meant to bolster Russia's influence through entreaties to shared faith. In addition to the construction of churches and Orthodox crosses in Macedonia, the Russian Embassy has reportedly "overseen the creation of roughly 30 Macedonia-Russian 'friendship associations.'"<sup>163</sup>

The decades-long wait for NATO membership is also contributing to a souring of Macedonian politics, creating space for pernicious actors like Russia to exploit NATO's inability to fulfill its promise to Macedonia. The permanent state of limbo in which Macedonia has operated is in part responsible for fostering an increasingly toxic domestic political environment, which further hampers the country's chances of gaining eventual NATO membership.

Last year saw the nation embroiled in domestic turmoil following the December 2016 elections. The incumbent Internal Macedonian Revolutionary Organization–Democratic Party for Macedonian National Unity (VMRO-DPMNE) won the most seats in Parliament but failed to secure a majority.

The center-left Social Democratic Union of Macedonia assembled a coalition with two ethnic Albanian parties. Macedonia's president withheld the mandate to form a government until May over concerns that the coalition's plans to grant Macedonia's ethnic Albanians' concessions would undermine the country's sovereignty and territorial integrity. In January, the Macedonian Parliament passed legislation naming Albanian as a second official language.<sup>164</sup> The VMRO-DPMNE boycotted the vote. Less than one week later, Macedonian President Gjorge Ivanov vetoed the legislation on the grounds it was unconstitutional and redundant.<sup>165</sup> The law, however, is likely to come into force; President Ivanov will be obliged to sign the legislation if it passes Parliament another time.<sup>166</sup> Under current law, Albanian already has official language status, but only in the northwestern regions where Macedonia's ethnic Albanian minority (around 20 percent of the population) mostly resides.<sup>167</sup> Extending Albanian's status as an official language will likely increase tensions with the majority Macedonian population who view it as an unjust imposition.

### **The Republic of Kosovo**

Since gaining independence in 2008, Kosovo has been recognized by 114 countries as an independent, sovereign nation.<sup>168</sup> Serbia, Kosovo's neighbor to the north and west, has not recognized the nation's independence. Kosovo continues to be blocked from membership in the United Nations by Chinese and Russian vetoes.<sup>169</sup> Last year, Russia's Ambassador to Serbia wrote in an editorial that Russia supports Serbia in "preventing attempts to create an artificial pseudo-state of Kosovo."<sup>170</sup>

The 2013 Brussels Agreement helped to stabilize relations between Kosovo and Serbia, and the two nations have been moving toward normalized relations. In December 2016, Kosovo announced that the U.N.'s Agency for Information and Communication Technologies had assigned the nation its own international calling code.<sup>171</sup> The largely symbolic victory for Kosovo was put in motion following a 2013 deal in which Serbia dropped its opposition to Kosovo receiving its own calling code.<sup>172</sup>

In December 2017, the International Criminal Tribunal for the former Yugoslavia, which tried crimes that occurred in the territory of the former Yugoslavia since 1991, was dissolved. Notably, 161 indictments and 83 convictions (60 persons convict-

ed were ethnic Serbs) were attained in the lifespan of the U.N.-backed Tribunal.<sup>173</sup>

NATO established the Kosovo Force in June 1999, following the alliance's air campaign against Serbian strongman Slobodan Milošević. NATO still maintains this peacekeeping force in the country. In November 2017, the President of the Kosovo Specialist Chamber, a court established in the Netherlands in 2016 to investigate crimes committed by the Kosovo Liberation Army from 1998–2000 against ethnic Serbs, stated the court was ready to hand down its first indictments.<sup>174</sup> The court, which was created under pressure from the U.S. and Europe, operates under Kosovo's law, but is comprised of international judges and prosecutors in an effort to impose impartiality.<sup>175</sup>

Despite tensions over the establishment of the Kosovo Specialist Chamber, relations between the U.S. and Kosovo remain strong. In December, Kosovo signed a \$1.18 billion deal with a U.S. company to build a coal-fired power plant to replace an outdated and unreliable plant that currently provides energy to Pristina and the surrounding suburbs.<sup>176</sup> In August, following a meeting in Montenegro with U.S. Vice President Pence, Kosovo's President Hashim Thaci stated that "American leadership is irreplaceable for our Euro-Atlantic aspiration."<sup>177</sup>

Russia does not want to see Kosovo as a successful nation pointed toward the West. Rather, Russia seeks to derail Kosovo's efforts to integrate into the West, oftentimes utilizing grievances of the Serbian minority to cause problems. In the most jarring example, in January 2017, a train traveling from Belgrade to Mitrovica, a heavily Serb town in Kosovo, was stopped at the Kosovar border. The Russian-made train was "painted in the colors of the Serbian flag and featured pictures of churches, monasteries, and medieval towns, as well as the words 'Kosovo is Serbian' in 21 languages."<sup>178</sup> The incident raised tensions in the region significantly.<sup>179</sup>

In January 2018, Oliver Ivanović, a politician who led the Kosovar Serbian Freedom, Democracy, Justice Party, was assassinated while entering party headquarters.<sup>180</sup> In 2016, an EU court convicted Ivanović of war crimes,<sup>181</sup> a conviction that was overturned on appeal in 2017; he had been awaiting retrial.<sup>182</sup> Following the assassination, the Serb delegation pulled out of EU-sponsored talks with Kosovo, which were to begin the same day.<sup>183</sup>

## Focus on the Five Ps: Peace, Potential, Pragmatism, Progress, and Prosperity

In recent years the Western Balkans have not been considered a top priority for U.S. foreign policy. The region has been seen as a challenge to be outsourced to Europe. Token attention from the U.S., and oftentimes from our European allies, has allowed problems to fester and has provided openings for nefarious actors to exploit. The Trump Administration should seek to reengage with the Western Balkans, solidifying U.S. influence and contesting the gains of China and Russia in the region.

A framework for U.S. engagement should be to ensure that the Western Balkans are *peaceful*, making *progress* toward the West, and increasingly *prosperous*. In addition, U.S. policy should seek to make the most of the region's significant *potential*. U.S. policy toward the Western Balkans should be *pragmatic*, and the U.S. should encourage the nations of the region to be pragmatic toward each other.

The U.S. can implement the five Ps by:

### Peace

- **Keeping the focus on the Balkans.** The Balkan nations are facing increased Russian interference and pressure with the aim of regional destabilization. In addition, the threat from Islamist ideology has not abated. The U.S. should look to take on a larger role within the region and should seek to collaborate with close allies like Croatia to address growing instability in the Balkans.
- **Working closely with European allies.** The U.S. should work closely with its European allies to keep the Western Balkans out of Russia's sphere of influence. Western European allies such as Austria have historical ties to the region as well as significant economic interests as top investors. The U.S. and its European allies have a mutual interest in seeing that the Western Balkans remain secure and outside the orbit of any nefarious outside actors. The U.S. should work with our partners to magnify the impact of policies toward the Western Balkans where there is mutual interest.
- **Not simply outsourcing Western Balkan security.** While the temptation for some American policymakers may be to see the Western Balkans as Europe's problem or responsibility, this would be a mistake. The peace and stability of the region is essential for the peace and stability of Europe—and by extension, affects American security.
- **Staying committed to NATO's KFOR mission.** Ethnic tensions are increasing in Kosovo, especially in the ethnic Serb areas north of the Ibar River. With the potential for conflict present, the U.S. needs to ensure the KFOR mission continues.
- **Supporting efforts to diversify the region's energy, including diplomatic and political support for the Southern Gas Corridor.** Some Western Balkan countries remain beholden to Russian energy. The U.S. should support projects that help the region diversify its energy supplies and offset Russian gas supplies. This will, in turn, lessen Russia's geopolitical influence while creating new markets for U.S. energy exports. Examples of projects for which the U.S. should provide diplomatic and political support include the Krk Island LNG Terminal in Croatia and the Southern Gas Corridor, which includes the Trans Adriatic pipeline, which will run from Azerbaijan to Italy via Georgia, Turkey, Greece, and Albania.<sup>184</sup>
- **Assisting the region in mitigating the impact of the migrant crisis.** The Balkan route was recently the most heavily traveled pathway for migrants traveling to Western Europe. In 2015, at the height of the crisis, the Balkan nations endured over three-quarters of a million illegal border crossings. While ostensibly closed, illegal border crossings continue on a smaller scale, and many Western Balkan nations continue to manage the fallout from the migrant crisis. The U.S. should support robust border security in the region as well as policies in Europe that discourage large-scale waves of migration, such as those seen in 2015.
- **Opposing EU efforts at mandatory redistribution of migrants.** The U.S. should oppose heavy-handed EU efforts to enforce mandatory country quotas and mandatory redistribution of migrants.

- **Combatting transnational crime.** With the closure of the Balkan route, many desperate individuals have fallen prey to human traffickers, who offer to smuggle them through the Balkans to Western Europe. Human trafficking is but one form of organized transnational crime, which remains a critical and extensive problem in the region. The U.S. should offer to share its law enforcement experience and surveillance expertise to tackle this continuing problem.
- **Implementing policies to weaken Islamist ideology.** The U.S. should share best practices on policies being implemented to prevent radicalization and discredit Islamist ideology.
- **Encouraging greater awareness of ideological funding in the Western Balkans.** Outside actors, such as Iran and Saudi Arabia, have funded fundamentalist imams and mosques in the region. The U.S. should work with the nations of the region, particularly Albania, Bosnia and Herzegovina, and Kosovo, to dampen funding and support for fundamentalist ideologies that threaten to swamp the region's traditionally more moderate form of Islam.

## Potential

- **Encouraging the critical buy-in of the region's youth population.** The Western Balkans have some of the youngest populations in Europe.<sup>185</sup> Educating and integrating young members of Western Balkan society into the formal economy is critical to the long-term success of the region. Enormously high levels of youth unemployment combined with the aftereffects of continued brain drain—as the most dynamic young professionals leave to work elsewhere in Europe—is hampering the region's economies and civil society. The U.S. should encourage educational and private-sector business exchange programs that help cultivate the next generation of leaders in the Western Balkans.
- **Recognizing the strategic value of NATO allies in the region.** While the militaries of NATO members Albania and Croatia are small in terms of both absolute size and budget, both nations have been active contributors to the alli-

ance. Furthermore, Albania and Croatia represent pillars of stability in a turbulent region and are strategically located, especially in light of recent increases in Russian naval activity in the Mediterranean Sea.

- **Focusing on combatting corruption.** The Western Balkans suffer from some of the highest rates of corruption in Europe, according to the 2016 Corruption Perceptions Index.<sup>186</sup> The U.S. should support regional reforms that have a focus of ridding the region of corruption.
- **Facilitating civil society exchange on anti-corruption best practices.** The U.S. should play a facilitator role in exchanges between government, civil society, and the private sector on best practices to combat corruption. In addition to regional participants, Ukrainian reformers should be included, as they face similar challenges and have learned much since the Maidan revolution.

## Pragmatism

- **Taking a realistic and pragmatic approach to Serbia.** Serbia remains Russia's main foothold in the Western Balkan region. Russia's economic and military ties to Serbia are strong and Russian propaganda efforts extremely active. The U.S. should be realistic and approach Serbia as it is, a country playing its relations with China, Russia, and the West off one another. Serbia is unlikely to join Western structures anytime soon, and holding out hope for a massive change in the nation's trajectory is naïve. That does not mean the U.S. should stop seeking meaningful engagement with Serbia. The nation's military ties with NATO through the PfP program and bilateral ties to the U.S. through the SPP and exercises are blocks to build upon.
- **Encouraging Western Balkan nations to be pragmatic toward one another.** The U.S. should encourage the nations of the Western Balkans to put aside historical, cultural, or religious complaints and work constructively to increase trade relations, settle border disputes, and forego inflammatory rhetoric for the sake of stability.

- **Championing sovereignty instead of the EU.** The U.S. should not view EU membership as a panacea for the Western Balkans. Rather, the U.S. should focus on building and sustaining closer relations with individual governments in the Western Balkans regardless of whether or not they are members of the EU.
- **Clearly evaluating Turkey's role in the Western Balkans.** A U.S. ally and fellow NATO member, the U.S. should praise and support Turkey's positive contributions to the Western Balkans, including its military contribution to KFOR and the building of TANAP. At the same time, U.S. policy should not be naïve to the potential negative impacts of this Turkish influence, such as the propagation of Turkish cultural organizations to the extent that they might inflame ethnic, sectarian, or religious tensions or the negative political model of the Erdogan government. U.S. policy should seek to encourage Turkey's positive contributions to the Western Balkans while discouraging those that are destabilizing and contrary to American interests.

## Progress

- **Arresting harmful aid-distribution policies.** U.S. engagement in the region should focus on regional stabilization and advance a transatlantic agenda, not push "progressive" social policies which often run afoul of local religious or cultural sensitivities and which besmirch the U.S. as an impartial interlocutor. In places like Albania and Macedonia, recent actions by the U.S. Embassy have contributed to the nation's growing political polarization.<sup>187</sup>
- **Auditing the effectiveness of U.S. aid programs in the Western Balkans.** Millions of taxpayer dollars have been spent in support of "progressive" causes in the Western Balkans. These sponsored policies have damaged U.S. standing in the region and crowded out our legitimate security and economic interests. The State Department and U.S. Agency for International Development should undertake an immediate comprehensive audit of U.S. aid to the Western Balkans, how the money is being spent, and how effective the aid has been in advancing American security and economic interests. Shedding a light on an often-hazy topic will help provide policymakers the information they need to make informed decisions about the impact of U.S. aid to the Western Balkans in recent years.
- **Making a further high-level visit to the region.** While Vice President Pence has already traveled to the Western Balkans, neither President Trump nor Secretary of State Rex Tillerson have yet visited the region. The Administration should continue to highlight renewed U.S. interest in the Western Balkans with high-level visits in 2018.
- **Supporting Macedonia's accession to NATO.** Macedonia has met all the requirements to join the alliance and yet remains outside NATO due to a name dispute with Greece. The continued delay in Macedonia's accession is contributing to an increasingly toxic domestic political environment. Furthermore, the country's continued limbo is opening opportunities for pernicious actors like Russia to attempt to derail the nation's NATO ambitions. The U.S. should pressure Greece behind the scenes to allow Macedonia to join NATO under the terms of the 1995 interim accord.
- **Keeping NATO's door open for other Western Balkan nations.** NATO enlargement has helped bind likeminded democracies on both sides of the Atlantic in mutual self-defense. Furthermore, requirements for joining the alliance have proven to be critical catalysts for reform, particularly reforming the military and strengthening the rule of law in candidate countries. The U.S. should ensure the alliance's open-door policy remains available for deserving European countries, especially official candidate countries such as Bosnia and Herzegovina and Macedonia.
- **Extending the Visa Waiver Program to Croatia.** The VWP pays security dividends as countries in the program share information on serious criminals, terrorists, and lost and stolen passports with the U.S. in exchange for visa-free travel of up to 90 days. In addition, including Croatia in the VWP will smooth business travel and tourism between the two nations and bind the two allied nations closer together. While Croatia's fiscal year 2017 visa refusal rate of 5.1 per-

cent<sup>188</sup> is above the required 3 percent for VWP participants, this requirement should be waived on account of Croatia's low total Overstay Rate<sup>189</sup> (1.03 percent in fiscal year 2016<sup>190</sup>).

- **Remaining clear-eyed about China's intentions.** The U.S. cannot stop China from investing in the Western Balkans as part of its new Silk Road initiative. However, the U.S. should be cognizant of Chinese investments and clearly relay to the region that disadvantageous strings—namely owing financial and geopolitical debt to China—come attached to Chinese investment and deserve scrutiny.
- **Pushing back against projects that further entrench Russian energy in Europe.** The U.S. should oppose the Turkish Stream and Nord Stream II projects, which bolster Russia's energy position in Europe and which are geopolitically shortsighted.
- **Countering Russian propaganda.** Russian propaganda has targeted the Balkan region, taking advantage of a dearth of independent media and distributing inflammatory messages that exacerbate cultural, ethnic, historical, and religious tensions. The U.S. should publicly and forcefully respond to high-profile Russian falsehoods. The U.S. should also look for ways to support independent media in the region and utilize American public diplomacy to counter Russia's pernicious messages<sup>191</sup>—with a particular emphasis on Serbia.

## Prosperity

- **Unleashing economic freedom.** Of the Western Balkans, only Macedonia ranks as Mostly Free in the *2017 Index of Economic Freedom*.<sup>192</sup> Economic freedom is the key to the region's prosperity and ensuring policies that further it should be a centerpiece of U.S. engagement.

- **Empowering global free-market energy policy.** The U.S. should work immediately and comprehensively to eliminate remaining barriers to U.S. energy exports. President Trump should encourage U.S. LNG exports as a piece of the puzzle in lessening many European countries' reliance on Russian energy.
- **Supporting the Three Seas Initiative.** The Trump Administration should continue robust support for the Three Seas Initiative launched in 2016 to facilitate the development of energy and infrastructure ties between 12 nations in eastern, central, and southern Europe.
- **Advocating for the inclusion of the Western Balkans in Three Seas.** Of the Western Balkan nations, only Croatia is a current member of the Three Seas Initiative. The U.S. should advocate for the inclusion of additional Western Balkan nations. Not only would the Western Balkans benefit from infrastructure development, the region's inclusion would serve as a counter to China's 16+1 format.

## Conclusion

The U.S. has invested heavily in the Balkans since the end of the Cold War. Tens of thousands of U.S. service members have served in the Balkans, and the U.S. has spent billions of dollars in aid there—all in the hope of creating a secure and prosperous region that will someday be part of the transatlantic community. Now is not the time to squander that investment and sacrifice. U.S. policy in the Western Balkans that follows the five "Ps" will advance American interests while counteracting retrograde influences that seek to drag the region back toward war and poverty.

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